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STATE FOR EAP/MLS AND EB  
COMMERCE FOR EAP/MAC/OKSA  
TREASURY FOR OASIA  
STATE PASS TO USTR FOR WEISEL  
FEDERAL RESERVE SAN FRANCISCO FOR DAN FINEMAN  
FEDERAL RESERVE NY FOR MATT HILDEBRANDT

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SUBJECT: THAI MINISTER OF FINANCE AND THE MIDDLE PATH

REF: BANGKOK 1399

¶1. (U) On March 21 Ambassador Boyce made his initial call on newly appointed Finance Minister Chalungphob Sussangkarn. The Minister, very business-like but relaxed, explained that while he was familiar with most of the issues he now faces due to studying these matters in his previous position as president of the Thailand Development Research Institute, he was still learning about how to deal with internal ministry issues.

¶2. (SBU) Chalungphob, like most of our economic sector official interlocutors, was keen to ensure that the "sufficiency economy" philosophy was understood to simply be "the opposite of excess" and was in no way opposed to globalization, or meant as "self-sufficiency." He appreciated that the misinterpretation probably arises because of some of the economic policies the RTG has pursued over recent months which seem aimed at reversing traditional Thai openness to foreign investment and participation in the economy, initiatives with which he personally disagreed.

¶3. (SBU) As he told embassy staff on his first day in the job (reftel), Chalungphob believes that policies such as capital controls and amendments to the Foreign Business Act were designed to get at specific problems but were "too extreme; not the middle path." He lamented that these policies were having a negative affect on the overall economy as business confidence was damaged as a result. The economy is further affected because the new government ended Thaksin-era programs aimed at helping rural Thais ("half the population are people who live on less than US\$100 per month") "too hastily" and with nothing to replace the income lost to these consumers. The Minister estimates that the specialized financial institutions meant to provide credit to those unserved by commercial banks had reduced their activity by Bt30 billion since the new regime came into office. The lack of spending and lack of investment is harming the economy, although he noted that, despite the baht's continued strength, exports were up 17.7 percent in January.

¶4. (SBU) Chalungphob accepted that the cabinet to date has been ineffective and slow to make decisions; "like having 26 different political parties." But he related that the PM has plans to "integrate" decision-making in cabinet to improve governance. For the economy, the Minister is keenly aware of the limited duration of his tenure and so says he will focus on the micro-economy; specifically on stimulating income

growth (and therefore consumption) at the grassroots level. Macroeconomic decisions he intends to leave primarily to the Bank of Thailand.

15. (SBU) Comment. Chalungphob expressed strong disagreement with policies he sees as giving too much power to bureaucrats, including the proposed amendments to the Foreign Business Act and the Retail Act. He is a believer in markets, properly regulated, and promises to "raise his voice" to prevent new laws that would depend on the presumed probity of the current regime continuing into an unknowable future for the transparent administration of business regulations and law; "we want a level playing field.".

BOYCE